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INTERNATIONAL CITY MANAGERS' ASSOCIATION
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PROCEDURES IN SPECIAL ASSESSMENT FINANCING

When should special assessments be used, what procedures should be followed, how are assessments apportioned, and what part of the cost should the city pay?

Some cities are using special assessments to finance urgently needed capital improvement projects and other cities are considering plans to return to this method of financing. Many of these cities have not used special assessments since the early 1930's. Street improvements including paving and curb and gutter represent the bulk of the improvements financed by special assessment, both as to the number of projects and the dollar volume of construction with sewer and water main facilities in second place.

The special assessment has been defined as a "compulsory charge on selected properties for a particular improvement or service which presumably benefits the owners of the selected property and is also undertaken in the interest of the public". Special assessments are generally imposed on land only and occasionally on buildings. Movable property is not subject to special assessment. This method is particularly suitable in financing new improvements demanded by a growing city population, such as the opening and surfacing of streets, sewers, curb and gutters, sidewalks. In theory, special assessments seem more equitable than taxes because those who pay them obtain direct benefits from the improvements undertaken.

The special assessment device has several advantages, three of which are mentioned here. First, it is considered a more equitable fiscal instrument than general taxation insofar as the construction of improvements actually enhances the value of neighboring property. Second, special assessments do not usually come under tax or debt limitations imposed by state constitutions, statutes, or city charters. Third, the special assessment affords a means of overcoming the problem of property exempt from general taxation. There are objections to the special assessment and sometimes abuses in its use; for example (1) the difficulty of apportioning the construction costs to accord with benefits received; (2) the desire to avoid general tax and debt limitations by using the special assessment to finance projects that rightfully should have been met from general funds; and (3) the special assessment financing of ill-advised or premature improvements, perhaps at the behest of land speculators.

Special assessments should be used only after a careful study of the benefits involved and in the case of unimproved areas only in conjunction with strict subdivision regulations to discourage unwise expansion of speculative subdivision property. The city should have the power to use special assessments as a device of subdivision control. It may be necessary to establish different special assessment policies for improved and unimproved property. In the case of improved property, the owners are likely to have a considerable investment at stake and are therefore likely to prove more responsible.

When Should Special Assessments be Used. When special assessments should be used will be determined by the character of the proposed improvement, the city's

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subdivision regulations, its capital improvement program, its utility financing program, and to some extent the general business cycle. The need for using special assessments is lessened in cities that enforce subdivision regulations requiring the subdivider to install (or pledge himself to install) such facilities as sewers, water mains, curbs and gutters, sidewalks, and paved streets. Likewise, the use of advance customers' deposits for financing utility extensions (sanitary or combined sewers and water mains) diminishes the need for special assessments.

The city council should determine the types of improvements that will be financed by special assessments, preferably in conjunction with a long-term capital improvement program. A city council may wisely defer a proposed improvement, even over the protest of the petitioners, until other taxes or prices decline a little. Such considerations are important when special assessment bonds are supported by the full faith and credit of the municipality.

Special assessments are most widely used to finance the paving and repaving of streets. For example, residential street construction of a standard width may well be financed by special assessments although in many cities the maintenance and resurfacing of such streets is paid for by motor vehicle taxes. The paving and repaving of business streets as well as major thoroughfares may be financed by assessments unless state aid, shared taxes, or other means are available. Sidewalks and curbs and gutters are ideal types of improvements for the use of special assessments. Street lighting of an exceptional nature, such as a business district or "white way" lighting system, is adapted to special assessment because it yields a special benefit to commercial properties. Unless otherwise financed, water mains and sanitary or combined sewers serving the abutting property could be financed by the special assessment. Storm sewers also could be constructed by means of a special assessment spread over the drainage area provided suitable apportionment factors can be used. Requests for unusual types of improvements may be recommended for special assessment financing; for example, the acquisition of park lands or off-street parking facilities.

General Procedure for Levying a Special Assessment. Every city should have well-defined procedures for levying a special assessment in order to be sure that the law is strictly adhered to. The general procedure might be outlined even though some variation occurs from state to state because of differences in statutes. A general pattern of the legal steps that must be taken is as follows:

1. Initiation of the improvement, either by petition of property owners, by administrative recommendation, or by the city council.

2. Resolution of need for the project by the city council authorizing the start of official proceedings.

3. Preparation of the administrative report and investigation on need for the improvement, and the ability of the property to bear the assessment.

4. Serving of notices on property owners affected of the council's declaration and warning them of a public hearing.

5. Public hearing on declaration of need and opportunity for property owners to object to proposal.

6. Resolution of intent to proceed, by the city council after the public hearing on declaration of intent. The resolution sets forth the benefited district, states the general nature of the improvement, recites the method of

payment, authorizes payment of city funds, and orders the preparation of the assessment roll.

7. Advertising for and awarding of contract. Resolution or ordinance in previous step authorizes the manager to proceed with the advertising for bids. The letting of the contract may take place after acceptable bids are received or it may wait until the assessment roll is confirmed at a later date.

8. Preparation of the assessment roll and public hearing by board of review.

9. Submission of the assessment roll to the council, confirmation by council, and ordering of assessment bills.

As a rule, the property owner should have two public hearings, the first on the need for the improvement and the second on the assessments to be levied against each piece of property. The second hearing may be more useful if it is held after the bids have been opened but before the contract is awarded. In such instances the total assessment can certainly cover all costs so that a deficiency assessment or a supplemental roll can be avoided. Cities in some states do not prepare the assessment roll until the project is completed and all costs are known.

A manual of procedure plus suitable forms are useful aids for city officials. Since bonds are often issued to finance construction costs, legal requirements should be complied with literally in order to protect the city from a possible court suit and to insure the marketability of the bonds. Several publications are available to city officials who may want to review their own procedures in terms of recommended practices: Carl H. Chatters and A. M. Hillhouse, Local Government Debt Administration, Chapter VII, (Prentice-Hall, New York, 1939) (2) Committee on Special Assessments, Municipal Finance, August, 1940; (3) "Special Assessments and Condemnation", Appendix II, Model City Charter, p. 117 (National Municipal League, 299 Broadway, New York); (4) Special Assessments in Wisconsin. 86pp. 1942. (League of Wisconsin Municipalities, 30 East Johnson Street, Madison.)

Financial Report on Special Assessment District. One of the recommended steps for levying a special assessment includes the preparation of a report on the need for the improvement and the ability of the property to bear the estimated assessment. On the basis of this report the city council may or may not adopt a resolution declaring the improvement a public necessity. Such a report might contain the following information as suggested in Local Government Debt Administration (Prentice-Hall, New York, 1939. p.191):

1. Boundaries of the area deemed benefited.

2. Assessed valuation of all land within the area, and of each parcel or lot, improved or unimproved.

3. Dominant land use; and percentage of area vacant and unused for urban purposes.

4. Percentage of area above or below established street grades.

5. Estimated cost of the improvement and the amount to be borne by the municipality at large.

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6. Assessments: the total estimated cost of the project which must be paid for by special assessment levies, and the estimated levy against each parcel.

7. Ratio of special assessments to assessed valuations; for the area as a whole and for each individual parcel; and also the ratio of all deferred assessments plus the proposed one to the assessed value of all land in the area; a similar ratio by parcels.

8. Delinquent assessments; the amount of previous assessments levied and unpaid within the area and similar information on each parcel.

9. Delinquent general taxes; the total amount of general taxes levied and unpaid in the area and the amounts by individual parcels.

10. The total of bonds to be issued and the proposed maturity.

The purpose of such a report is to indicate whether special assessments would result in too large a burden on property. Another safeguard against tax delinquency is a provision in the Model City Charter that no special assessments shall be levied "which shall cause the total amount of special assessments levied by the city and outstanding against any property at any time, exclusive of delinquent installments and assessments for current services, to exceed 25 per cent of the fair cash market value of the property after giving effect to the benefit accruing thereto from the work, improvement, or action for which assessed." A rule such as this 25 per cent limitation is not a substitute for a thorough investigation of the worth-whileness of the proposed improvement and more particularly the ability of the property owner to pay the assessment.

Authority of City Council to Levy Special Assessments. The authority of the city council to levy special assessments varies considerably from one city to another. Councils in some cities may order an improvement only with the consent of the affected property owners, in other cities the councils may order an improvement which may be stopped by an opposing petition submitted by the property owners, while in still other cities the council does not need a consenting petition nor can the city be stopped by an opposing petition. The provisions of the Model City Charter simply state that the city council should have the power to levy and collect taxes in the form of special assessments upon property. The Model Charter does not require the consent of the property owners nor does it provide for a petition to halt the proceedings.

In the cities where a protesting petition may be filed, it is not effective unless signed by the owners of a stated percentage of the property in the benefit district, usually just the property abutting the improvement. For example, in Albert Lea, Minn., a petition to halt a paving improvement must be signed by at least 75 per cent of the affected property owners, a sanitary sewer by 90 per cent, and other types of improvements by 51 per cent. Finally, a two-thirds vote of the city council may overrule a petition in some cities.

The city council's authority to levy a special assessment should not be restricted by requiring a consenting petition before an improvement can even be started or by allowing a petition to halt a project once proceedings are under way. Nor, on the other hand, should public hearings be eliminated simply because the property owners requested the improvement or because the assessment does not exceed a stated sum per parcel or per property. Since the city council acts as a trustee in levying a special assessment, the property owners ought to have a public hearing regardless of the method used to originate a special assessment, the

type of improvement, or the amount of the assessment. As a matter of practice, however, city councils are inclined to insist upon public hearings even though they are not required.

Sometimes a city council will require the property owners to file a petition requesting an improvement even if the city council can levy a special assessment on its own authority. This requirement assures the council that the property owners desire the improvement before the assessment roll is confirmed, resulting in less chance of the special assessments becoming delinquent. A city council would rarely levy a special assessment on property when a majority of the owners oppose the project and may balk at paying the assessment. Even in the cities where a petition can halt a project, the city council may require a petition requesting the improvement to prevent remonstrance action during the course of the proceedings.

The Assessment Process. The process of making an assessment might be defined as the legislative and administrative steps that must be taken to determine who shall pay for the improvement and how much each beneficiary shall be expected to pay. The assessment process has nothing to do with the preparation of the engineering plans, the awarding of the contract, or the issuance of bonds or notes. In theory the assessment process covers four distinct steps: (1) define the district benefited by the improvement, (2) estimate the special benefits to the parcels of property, (3) divide the cost between the city as a whole and the benefit district, (4) apportion the district's share of the cost in proportion to estimated special benefits among individual properties.

Defining the benefit district and estimating the special benefits conferred on property in the district is largely a technical process and is best performed by professional assessors and engineers. The determination of the city's share of the total cost may also be done by assessors and engineers although their recommendations must conform with the policies established by the city council for splitting costs between the district and the city-at-large. Apportioning the district's share of the costs among individual properties follows from step two and should not be affected by the procedure used to determine the costs to be borne by the city. City officials, however, may not always prepare a special assessment in this fashion because legal or practical restrictions are often placed upon administrative discretion in performing the assessment process.

To a considerable extent judgment and opinion are involved in making a special assessment. Nevertheless guiding rules are needed to assure fair treatment among property owners, not only between different owners participating in the same assessment but also between owners for different assessment projects. Policies guiding the determination of the benefit district, the apportionment of cost among individual properties, and determining the city's share of the cost should be approved by the city council. City officials should apply these policies in each improvement district as long as the costs are distributed with some relationship to benefit. But deviation from the policy should be permitted (after satisfactory explanation) if the policies do not allocate costs in line with benefits. Rules should be used but not to the point of eliminating the judgment and opinion of city officials levying the assessment.

Assessing Nonabutting Property. Part of the larger problem of defining the benefited area is the question of assessing property that does not lie adjacent to the improvement. Owners of property abutting the improvement naturally urge city officials to include nonabutting property in order to achieve lower assessments for themselves. City officials generally are not able to extend the benefit area

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beyond the abutting property except in the case of park assessments, or to construct major sewer or water lines, or possibly an arterial street. In many cities the assessment of nonabutting property would be illegal.

In Wichita, Kan., for example, the cost of paving improvements are paid by the property on each side of the street to the middle of the block. In many cases the lots within this area do not lie adjacent to the improvement. Flint, Mich., provides a similar rule: "The assessment district for the paving and grading of streets usually includes property on both sides of the street to be improved and extends back half the distance to the next street or the probable location of a street. If the distance to the next street or next probable street is greater than ordinary, the district may be shortened to correspond with similar districts in the same locality. The district should be so arranged that each square foot of land will be assessed at least twice but not more than twice for grading and pavements".

Apportioning Special Assessments. Of the four steps outlined in the assessment process, the apportionment of special assessments among property owners is the most difficult and the one most frequently attacked. Four general rules most widely used for apportioning special assessments among individual properties are: the frontage of the lot, area of the lot, zone or proximity to the project, or actual cost in front of each particular lot. Assessments determined by such rules do not necessarily result in costs related to benefit. Of the four rules, the frontage rule is the most common. It consists, in its simplest form, in ascertaining the total frontage facing the improvement, dividing the total into the cost of the improvement to get the rate per foot and then multiplying the frontage of each parcel by the calculated rate per foot.

The area and valuation methods are applied in a similar manner except that square feet or dollars of value are used instead of front feet. The zone method is usually an adaptation of the frontage rule, property remote from the improvement bearing a smaller rate per foot than contiguous properties and the rate declining as the distance increases. The cost-in-front-of-lot rule assesses all property on the basis of cost of the improvement in front of the lot without particular attention to benefits.

Any of the four rules may be applied for street openings or surfacing while the frontage rule is usually applied for curb and gutter and sidewalk improvements. The cost of sewer and water mains of standard width, not including interceptors or main lines, is apportioned by similar methods although cities are frequently installing such facilities at a flat rate per foot of sewer or water main. None of the four units of measure adequately consider all of the factors that should be evaluated in apportioning an assessment, for example, such factors as value of property, its location and proximity to the improvements, width, depth, shape, land use, type of community, and type of traffic for street improvements and the drainage factors for sewer improvements. Unfortunately, the pressure for precise rules of apportionment may result in the use of rigid formulas that place an unfair assessment against individual properties.

Most cities have apportionment rules for assessing the cost of various types of improvements. Janesville, Wis., for example, generally assesses the cost of improvements among individual properties on a front foot basis. Paducah, Ky., apportions the cost of construction for curb and gutter, new street paving, street resurfacing, sidewalks and sewers (sanitary, storm, and combined) according to the front foot rule against the abutting property. If sewer assessments exceed $2 per front foot, the assessment is made on the basis of the square foot

area of the abutting land. University City, Mo., applies the frontage rule in apportioning the cost of curb and gutter and new street paving. Sidewalks are also charged to the abutting property. Sewers (sanitary, storm, and combined) are charged to the drainage area in which they are constructed. Boulder, Colo., apportions the construction cost of curb and gutter, new street paving, sidewalks and oil paving according to the frontage rule while sanitary and storm sewers are assessed on an area basis. In contrast to the other cities, Wichita, Kan., apportions the cost of constructing curb and gutter, new street paving, and street resurfacing according to the valuation of the lots, excluding any improvements on the lot. Sewer construction costs are apportioned on the same basis.

Some cities use "depth" curves to graduate the assessment according to the depth of the lot and also to obtain assessments for lots of peculiar shape and lots not abutting the improvement. The Somers depth rules or their adaptations may be employed. Flint, Mich., has developed assessment tables for apportioning assessments among all lots on a benefit area to allow for location, shape, and depth of the lots. In Alliance, Neb., the first one-sixth of the property area next to the street or alley being paved is especially benefited in an amount equal to 33 1/3 per cent of the improvement costs; the second one-sixth, 20 per cent; the third one-sixth, 16 2/3 per cent and the fourth, fifth and sixth one-sixths each 10 per cent.

Assessments on Residential Corner Lots. Some cities have devised special rules to prevent excessive assessments against a corner lot when improvements are laid on both sides of the property. In Albert Lea, Minn., for example, the owner of the corner lot must pay for the improvement on both sides except in the case of sanitary sewers for which he would pay only on one side. In Lubbock, Tex., the city pays 40 per cent of the assessment levied against the side of any property abutting the improvement. In the case of sidewalk improvements, Norfolk, Va., assesses only one side of the corner lot.

In Royal Oak, Mich., the assessable frontage for corner lots is reduced 25 per cent if the depth of the lot is 100 feet or more. The deductions for corner lots are absorbed by the assessment made against the interior lots in the block. University City, Mo., has no method for relieving excessive charges against corner lots but the city council is considering the St. Louis plan of charging one-fourth of the cost per front foot along the distance improved and three-fourths of the cost to be spread over a district, usually defined as half-way to the next parallel street.

A survey of the practices of Illinois cities shows a number of methods of lightening the corner lot assessment. In one city, if the corner lot abutting the improvement has already absorbed a special assessment, the assessment for paving the second street is reduced by one-half. The more common practice is to assess the corner lot for the street fronting it at the regular rate for inside lots but to make adjustments in the footage rate for the improvement of the side street. For example, several cities assess the side length of the lot (sideage) at half the front-foot rate. In one city the practice has been to assess sideage at a proportion of the frontage rate. For 40-foot lots, sideage has been assessed at 60 per cent of the frontage rate. This rate increases about one and one-half per cent for each additional foot of width of lot.

In one Illinois city the actual frontage, rather than the sideage, is assessed for the improvement of a side street, a sound procedure, perhaps, in view of the fact that residential values are usually expressed in terms of frontage (width) rather than sideage (depth) of a lot. Another method of adjusting an assessment for the improvement of a side street is to place part of the assessment on

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properties not immediately abutting but parallel to the improvement. Lots back from and parallel to the side street are sometimes assessed at a rate diminishing with distance from the street. (Special Assessment Financing of Local Improvements, 1925-1937. Illinois Tax Commission. p.47)

Determining the City's Share of the Cost. A municipality should set down the rules for determining to what extent it will participate in a special assessment project. Cities that already have adopted the policy of paying for all intersections, crosswalks, curb returns, and the like, may want to review these policies in order to make them more flexible. In a good many instances, such policies were adopted under pressure from property owners or as a means of lightening the load on property owners and at the same time limiting the contribution from the public treasury.

The city's share may be called the "public benefit" portion of the assessment as distinguished from the private benefit for which each lot owner must pay. The city's share of the cost may be determined in a number of ways. Grand Forks, N. D., for example, pays up to 20 per cent of paving jobs depending on traffic conditions, but on special residential streets carrying heavy traffic the city pays 20 per cent plus the cost of the pavement over 30 feet in width. Janesville, Wis., pays the difference between the total assessment and the actual cost inasmuch as assessments are levied in advance of the improvements. University City, Mo., pays for pavement over 30 feet in width where the cost of the 30 feet is levied by special assessment against abutting property.

It is often contended that street intersections and crosswalks in residential areas should be paved at city expense or by a "public benefit" assessment against the city at large. Many cities accede to this demand in order to lighten the assessment load on the property owners. It is for this reason that many cities pay the paving cost of street intersections, although it is common practice in other cities to distribute these costs over the benefit district.

The committee on special assessments of the Municipal Finance Officers Association arrived at the following conclusions regarding the city's share of construction costs: "The property owner should not be charged with the cost of paving construction beyond normal width. In the case of excessively wide streets, boulevards, traffic arteries, etc. the cost of construction beyond normal street width should be borne by the city's general fund."

"The consensus...was that the cost of street intersections should be borne by property owners, but there are some members of the committee who feel that street intersection costs should be borne by the city general fund. Where one cross street of an intersection is constructed and it is felt that the crossing street will be constructed at some future date, the distribution of the intersection costs to the benefited property should be borne in mind. Property abutting on the unconstructed street is benefited to some extent by the intersectinn and perhaps bears some small portion of the cost, inasmuch as it will probably not be assessed for that particular intersection when the cross street is ultimately constructed."

A number of general considerations might be stated regarding the public benefit aspects of streets, sewers, and water mains. The expected use of a street can be treated for practical purposes as the basic test of the amount of public benefit. But city officials should also consider the character of the traffic and the width and thickness of the pavement. A street improvement that helps to solve a traffic problem and adds to the general attractiveness of a city provides

general benefits. An improved street that is much used by the general public and not merely by nearby residents obviously is of general benefit.

A survey of special assessment financing by Illinois cities made by the Illinois Tax Commission, suggested the following classification of streets as an aid in determining the extent to which the city should share in the assessment: (1) main thoroughfares; (2) secondary arteries reasonably wide and free from obstructions; (3) narrow arterial streets encumbered by street railway tracks or other obstructions to traffic; (4) nonarterial residential streets that will probably have considerable traffic; (5) nonarterial residential streets having moderate traffic; and (6) nonarterial streets with little traffic other than that of residents, including dead-end streets, streets rather remote from other sections of the city, and streets in new subdivisions.

Main thoroughfares and secondary arteries yield much general benefit. At the other extreme, dead-end streets and streets in new subdivisions in most cases provide little or no general benefit as compared to the special benefits. The first five classes of streets yield some degree of public benefit but there still remains the problem of measuring in dollars and cents the share of the total street cost that the city should pay. In theory a city council should determine the total benefits from a particular street, decide to what extent the benefits are "special", and thereby obtain the portion called "the public benefits".

Similar principles can be outlined for the public benefit portions of a sewer and water main improvement. Ordinarily the public benefits yielded by water mains are minor for their chief purpose is to supply water to the properties abutting them. Any particular water main yields general benefits if it supplies public drinking fountains or adds to the beautification or general enjoyment of public parks. The same might be true of sanitary or storm sewers. Fundamentally their benefits are localized to the property they serve. Both yield general benefits in the nature of increased sanitation and healthfulness for the entire community. On the other hand, trunk and intercepting sewers yield benefits beyond the property they serve and cover a much larger area. Nevertheless, the assessment district in such instances can be made larger so that the assessments are not limited to the abutting properties. The cost of excess size of such sewers can be assessed to nonabutting properties that they serve or possibly as public benefits.

Methods of Paying the Contractor. To some extent the method of paying the contractor affects the final cost of the improvement and city officials should appraise their procedures to be sure that payment methods do not increase the cost.

A contractor may be paid with funds representing (1) advance payments by property owners, (2) a temporary loan from a revolving fund to be repaid from the property owners' payments, (3) a temporary loan from the general or other funds, (4) funds from the sale of special assessment bonds, or (5) the contractor may be given special liens (warrants) on the property or special assessment bonds that may be sold to a local bank or broker. The method of payment depends considerably on the order of events in levying a special assessment. If the assessment roll is confirmed and the tax bills are mailed long before the construction is begun, then sufficient cash may be on hand to pay for the work completed. But if the work must be completed before the assessment is levied or before sufficient funds are on hand, then temporary financing must be employed, particularly for the more expensive improvements.

It is the practice in some cities to set up a revolving fund from which payments are made to the contractors with repayments made to the fund from property

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owners' payments. Albert Lea, Minn., for example, has a $20,000 working capital fund, while Royal Oak, Mich., has a $100,000 revolving fund. Janesville, Wis., uses the water department surplus as a revolving fund which holds all the assessment certificates with refunds paid back as the payments come in.

Few cities require the property owner to deposit a portion of the estimated cost of the work before the assessment is confirmed. Where such a plan is used the city has some assurance that property owners intend to see the construction project through and the city also is provided with cash to pay the bills. Flint, Mich., for example, requires an initial deposit of 25 per cent of the estimated improvement cost at the time of filing the petition requesting the improvement. When the city council agrees to declare the project a public necessity, another 25 per cent of the cost must be paid in. The remaining 50 per cent is billed as a tax lien and is payable within one year. A revolving fund temporarily pays the second 50 per cent until the tax payments are received. In 1946 the revolving fund amounted to $135,000, and it financed approximately $1,000,000 of projects between 1939 and 1946.

In some cities the contractor is paid with funds from the sale of bonds but in still other cities the contractor is given warrants or special liens on the benefited property. The contractor may then sell these liens to a local bank or may hold them until property owners' payments come in. In either case the contractor may inflate his bid by the amount of discount he must accept when the liens are sold or by the cost of delayed payment if he holds them until property owners' payments are made. Bids are likely to be inflated where there is not much competition among contractors for the work. The preferable method is for the city to sell its bonds or liens and pay the contractor so that the construction bids will represent only the improvement costs.

Special Assessment Bonds. The issuance of special assessment bonds is the most technically involved of all the methods of financing a special assessment improvement. Yet it is a common method of financing some projects, particularly if the property owners pay on an installment basis extending over a period of several years. Two types of special assessment bonds may be employed: "general-specials" and "special-specials", the former being payable from the general funds of the city in the event special assessments become delinquent and the latter being payable only from the assessments levied against the property owners or the municipality.

In "Local Government Debt Administration" by Chatters and Hillhouse, (Prentice Hall, Inc., New York), the recommendation is made that "someone must be made responsible for planning all phases of the issue, such as (1) the amount, (2) the type of bond, (3) the life of the issue, (4) the proper spacing of maturities, and (5) the question of whether the bonds will be made callable." The further recommendation is made that "the size of the bond issue should receive particular attention. The amount can legitimately and should, include all the cost of the project: (1) engineering and legal expenses, (2) expenses incurred for preliminary surveys, (3) interest during construction, (4) cost of making roles, and (5) cost of collecting taxes." (p. 195).

The committee on special assessments of the Municipal Finance Officers Association has made the following recommendations regarding special assessment bonds:

1. Bonds should be serial bonds subject to call before maturity.

2. Bonds must be prepared in such a form that they are readily marketable.

3. Bonds should be in the form of collateral trust obligations with various apportionment warrants pledged to secure their payment. The bonds should never be secured by a lien against specific pieces of property only but all of the special assessments in the proposed areas should be pledged...

4. It is suggested that the date of the assessment be at least 30 days prior to the date of the bond and perhaps 60 days. During that period property owners must either pay their assessments in full without interest or signify their intention of time payment by signing the agreement and waiver.

5. Similar construction projects may be grouped under one bond issue. This accomplishes two things: first, it spreads the risk over a larger area, perhaps in different sections of the city; and second, it enables the city to offer for sale a substantial block of bonds which may be more readily marketable than a number of small issues.

Should the bonds be general-specials or special specials? Municipalities may by law issue one of these two types of bonds, but where an option is available city officials should choose the type of bonds best suited to the project to be constructed, the financial condition of the improvement district and the city, and the market in which the bonds will be sold. Chatters and Hillhouse in general favor the general-special type of bond for the following reasons:

1. Bonds may be sold at public sale. Special-specials often have to be marketed through the contractor. His contract bid is necessarily higher when he must run the risk of marketing the improvement bonds.

2. Better interest rates may be obtained. Many bond houses that are prepared, because of the scope of their organization, to offer attractive prices for municipals, will not bid on special-specials but will handle general-specials. Such obligations, because of their guarantee, are eligible for savings bank investments and other portfolios. The result is a better price and a consequent lower interest cost. There is a difference of one per cent and more between general-specials and special-specials. This is a real saving for property holders.

3. Collections may be made more aggressively. Where the city must make up any deficiency, there is added inducement for city officials to push special assessment collections. The only incentive in case of special-specials arises from the fact that special assessment delinquencies encourage general tax delinquencies.